

Federal Court



Cour fédérale

Date: 20160204

**Dockets: T-393-14
T-1064-13**

Citation: 2016 FC 136

Toronto, Ontario, February 4, 2016

PRESENT: The Honourable Mr. Justice Diner

Docket: T-393-14

BETWEEN:

APOTEX INC

Plaintiff

and

**PFIZER INC, PHARMACIA AKTIEBOLAG
AND PFIZER CANADA INC**

Defendants

Docket: T-1064-13

AND BETWEEN:

APOTEX INC

**Plaintiff/
Defendant by Counterclaim**

and

PFIZER CANADA INC

Defendant/

Plaintiff by Counterclaim

and

PHARMACIA AKTIEBOLAG

Plaintiff by Counterclaim

ORDER AND REASONS

I. Introduction

[1] This is a pre-trial motion for partial summary judgment. At issue is a fee. Apotex Inc., the Plaintiff and moving party, asserts that Pharmacia Aktiebolag [PA], one of the Defendants, failed to pay the proper amount of money to the Commissioner of Patents [the Commissioner] both at the end of the prosecution of “Prostaglandin Derivatives for the Treatment of Glaucoma or Ocular Hypertension”, Canadian Patent Number 1,339,132 (12 September 1989) [the 132 Patent], and again when presented with a 12-month window to correct the error. The Plaintiff submits that since this “final fee” is a prerequisite for valid issuance, the 132 Patent is invalid.

[2] The Plaintiff is asking, in this motion, that the Court declare that the 132 Patent is and always has been invalid, to find that the Plaintiff has not infringed the 132 Patent, and to dismiss the Defendant’s counterclaim for infringement. This hearing also includes an appeal by the Plaintiff from an Order of the case management Prothonotary dated December 8, 2015 where he ruled that the Defendants did not need to provide an unexpurgated copy of certain confidential discovery material relating to the final fee issue.

II. Facts

[3] The Plaintiff, Apotex Inc., is an Ontario corporation. It is a pharmaceutical manufacturer that produces “generics”, drugs that are pharmaceutically similar to others that have been previously introduced to the Canadian market under brand names.

[4] The Defendants are Pfizer Canada Inc., Pfizer Inc., and Pharmacia Aktiebolag [PA]. Pfizer Canada Inc. is a Canadian corporation headquartered in Kirkland, Quebec. PA is a Swedish corporation that merged with Pfizer Inc. in 2003 and was the original owner of the 132 Patent. Both are subsidiaries of Pfizer Inc., a Delaware pharmaceutical corporation headquartered in New York.

[5] Latanoprost is a medicine used for the treatment of glaucoma, among other things. The Defendants are the owners of the 132 Patent, which relates generally to latanoprost. It is marketed in Canada under the name Xalatan.

[6] This dispute takes place in the context of the issuance of a Notice of Compliance [NOC] by the Minister of Health. As explained by Justice Heneghan in *Pfizer Canada Inc v Canada (Health)*, 2010 FC 447 [*Pfizer FC*], the first proceeding in this affair:

[54] A NOC grants marketing approval for drugs in Canada. It is issued by the Federal Government, indicating that all requirements have been met pursuant to the Food and Drug Regulations for the protection of public health and safety. The NOC Regulations authorize owners of existing patents for pharmaceutical products to file a “patent list” relative to those products for which they hold a NOC. The NOC Regulations refer to the person filing such a list as the “first person”...

[55] The framework of the NOC Regulations allows generic drug manufacturers to rely on prior approval of related pharmaceutical products in applying for marketing approval of their generic form of the products. Manufacturers who produce the same drug may file an application for a NOC that refers to and relies on the fact that prior approval has been granted for the brand-name version of the drug. Such a manufacturer is known as the “second person”...

[56] The NOC Regulations prohibit the Minister of Health from issuing a NOC until all relevant product and use patents in the earlier approved medicine, as described in the patent list, have expired. Consequently, a second person must either wait until patent expiry before receiving a NOC or it may submit a NOA [Notice of Allegation] to the Minister with its new drug submission.

[57] The NOC Regulations require service of the NOA upon the first person. Section 5 sets out the grounds upon which a NOA is to be based. Briefly, the NOA must assert either that the first person is not the patentee, that the patent is expired or invalid, or that it would not be infringed if a NOC were issued.

[58] Following service of the NOA, the Minister may issue a NOC to the second person, unless the first person avails of its right, pursuant to section 6(1) of the NOC Regulations, to seek an order from the Federal Court prohibiting the Minister from issuing the NOC. Any such step must be taken by the first person within 45 days after receipt of the NOA and once such a proceeding is commenced, the issuance of a NOC to the second person is stayed for a maximum period of 24 months.

[7] On March 4, 2008, Pfizer Canada Inc. received a Notice of Allegation [NOA] from the Plaintiff. In it, the Plaintiff alleged that the 132 Patent was invalid on several grounds and that the Plaintiff's “Apo-latanoprost” solution would not infringe the 132 Patent.

[8] In response, the Defendants instituted proceedings under section 6 of the *Patented Medicines (Notice of Compliance) Regulations*, SOR/93-133 [the Regulations] for an order prohibiting the Minister of Health from issuing an NOC to the Plaintiff. Though the Defendants

were successful before the Federal Court (*Pfizer FC*, quoted above), in *Apotex Inc v Pfizer Canada Inc*, 2011 FCA 236 [*Pfizer FCA*], the Federal Court of Appeal instead found that the Plaintiff's allegations about the 132 Patent's invalidity were justified, and denied the application for an order prohibiting the Minister of Health from issuing a NOC to Apotex.

[9] Between the Federal Court and Federal Court of Appeal's decisions, the Plaintiff sent a second NOA to the Defendants, alleging invalidity of the 132 Patent on the basis of the non-payment of fees – the ground at issue in this motion. The Defendants initially opposed this NOA with a second section 6 proceeding, but discontinued it in light of the Federal Court of Appeal's decision in *Pfizer FCA*. On August 19, 2011, the Minister issued a NOC for Apo-latanoprost.

[10] On June 14, 2013, the Plaintiff filed a statement of claim seeking damages under section 8 of the Regulations for the period of time in which they were prevented, by the proceedings, from receiving a NOC for Apo-latanoprost – from June 20, 2007 (on or around when it became approvable under the *Food and Drugs Act Regulations*, CRC, c 870) to August 19, 2011.

[11] In response, on August 30, 2013, the Defendants filed a statement of defence and counterclaim, arguing that the 132 Patent is valid, given that NOC proceedings are not determinative of infringement and validity, that the Plaintiff would have been infringing it had it entered the market before the Federal Court of Appeal decision came out, and that the Plaintiff has been infringing ever since it brought Apo-latanoprost to market.

A. *The Fee Payment*

[12] To fully understand the context in which this summary judgment takes place, a brief description of the role of the final fee payment in the patent prosecution process is helpful, and will serve as instructive for those not acquainted with it.

[13] When an inventor decides to apply for a patent for their invention, she/he submits a patent application to the Canadian Intellectual Property Office [CIPO], where patent examiners determine whether or not it complies with the Act. If CIPO is satisfied, it finds the patent ‘allowable’ and issues a Notice of Allowance, after which the applicant has six months to (a) make amendments and (b) pay the “final fee” for issuance of the patent (rule 30(1) of the *Patent Rules*, SOR/96-423 [the Patent Rules]). The Patent Rules outline two tiers of fees – one for “small entities” and one for entities other than a small entity [large entities], based on annual revenues and number of employees, most recently described in rule 3.01(3). Paragraph 6(b) of Schedule II fixes the amount of these final fees for applications filed before October 1, 1989, like the application filed for the 132 Patent, at \$350.00 for small entities and \$700.00 for large entities.

[14] If the inventor does not pay the final fee within six months of receiving the Notice of Allowance, the application is “deemed abandoned” under paragraph 73(1)(f) of the *Patent Act*, RSC 1985, c P-4 [the Act], although an earlier version of this provision was in force at the time of the application at issue in this case, as will be discussed below. The inventor is then given a final 12-month period to pay the fee and request reinstatement of the application by the Commissioner (rule 98(1) of the Patent Rules).

[15] On September 12, 1989, PA submitted an application for a patent for the treatment of glaucoma or ocular hypertension [the 611003 Application]. PA has admitted that they were not a small entity at the time. On November 19, 1996, the 611003 Application was allowed. The CIPO notice of allowance informed that:

The final fee of THREE HUNDRED AND FIFTY DOLLARS (\$350.00) or SEVEN HUNDRED DOLLARS (\$700.00) depending upon small entity status, must be paid not later than SIX MONTHS of the date of this notice. Otherwise the application will be deemed to be abandoned pursuant to paragraph 73(1)(f) of the Patent Act. (Plaintiff's Motion Record [PMR], Exhibit X)

[16] In response, PA's patent agent, Ridout & Maybee LLC [R&M], sent two cheques to the Commissioner: one for \$300 "in payment of the final fee" on March 17, 1997, and another for \$50 "in payment of the balance owing on the final fee" on April 18, 1997 (PMR, Exhibit Z). The Defendants have since admitted that no further amounts were paid by or on their behalf in the six months from the issuance of the notice of allowance. They have also admitted that every other payment in connection with the 132 Patent was made as a large entity.

[17] The 132 Patent was issued on July 29, 1997.

[18] On August 13, 2001, the Federal Court ruled in *Dutch Industries Ltd v Canada (Commissioner of Patents)*, [2002] 1 FCR 325 [*Dutch Industries FC*]. There, Justice Dawson found that the Commissioner lacked the statutory authority to accept "top-up" payments after the six-month deadline where a large entity applicant had erroneously paid maintenance fees as a small entity. This decision was reversed in part but the Federal Court of Appeal confirmed that the Commissioner could not extend the deadlines for payment of maintenance fees (*Dutch*

Industries Ltd v Canada (Commissioner of Patents), 2003 FCA 121 [*Dutch Industries FCA*]).

Justice Sharlow cautioned that, in light of the decision, that “any error in the determination of small entity status could lead to the loss of all rights under the patent application and any resulting patent, unless the error is discovered and corrected within the statutory time limits for late fee payments” (*Dutch Industries FCA* at para 4).

[19] In response, Parliament amended the Act by adding subsection 78.6(1), creating a one-year grace period for errant small entity payments to be topped up. That provision came into effect on February 1, 2006.

[20] On November 5, 2005, in preparation for the coming into force of subsection 78.6(1), CIPO sent a notice to R&M with a list of patents and patent applications, including the 132 Patent, which had been processed with small entity payments. R&M then contacted PA, on November 25, 2005, to recommend that a top-up fee be paid in respect of all of PA’s patents and applications.

[21] On October 23, 2006, R&M sent a letter to the Commissioner of Patents stating that the “entity status of [the 132 Patent] is large” (PMR, Exhibit TT). Notably, this letter contained no mention of the inclusion of a top-up payment, which had been the customary practice of R&M in the past.

[22] On November 1, 2006, Debby Bonnell of the Patent Office wrote a letter to R&M “acknowledg[ing] receipt of your payment [on PA’s behalf] on October 23, 2006 pursuant to Section 78.6 of the Patent Act.” (PMR, Exhibit UU).

[23] On July 27, 2015, Prothonotary Aalto granted a motion, brought by the Plaintiff, to examine Ms. Bonnell, along with David Boudreau, Director of the Patent Services and Standards Division of CIPO, on the final fee question. Ms. Bonnell and Mr. Boudreau stated under examination that Ms. Bonnell’s November 1, 2006 communication should have said “letter”, not “payment”, and that CIPO has no record, up to the date of Mr. Boudreau’s examination, of a top-up payment by R&M in relation to the 132 Patent.

[24] These statements about a lack of payment were supported by other independent and objective evidence presented in the record, including:

- a. the fact that there was no CIPO receipt stamp as there had been with all other payments on file;
- b. the fact that the file wrapper for the 132 Patent showed no evidence of the top-up fee; and
- c. new evidence presented in October 2015 from senior R&M partner Kenneth Hanna of internal accounting records showing a zero payment in respect to the 132 Patent (discussed below).

[25] In addition, the Plaintiff presented a detailed analysis in the form of an expert report from Mark Eisen, whose Affidavit concluded that no large entity fee payment or top-up fee was ever paid, an opinion based on a significant body of evidence that he had considered.

[26] Randall Mitchell, a now-retired R&M lawyer who handled the file at the time of the top-up fee issue, submitted an Affidavit and was subsequently cross-examined on the fee payment. He provided his expectedly scant recollection of the fee payment details. Mr. Mitchell asserted that he could think of no reason why he would not have made the necessary payment during the top-up period, but on cross-examination admitted that the letter of October 23, 2006 contained no reference to a payment, contrary to his usual practice when submitting top-up fees. He could not recall whether the top-up fees were ultimately paid.

[27] The latest evidence to emerge in the weeks leading up to this hearing was a payment schedule from R&M partner Kenneth Hanna. As Mr. Hanna explained, it was the practice in 2006 at R&M to send bulk payments to CIPO that included several different fees in a single payment. Mr. Hanna provided an itemized list of the fees paid by R&M on October 23, 2006. However, the line item corresponding to the 132 Patent indicates that no top-up fee payment was made.

III. Analysis

[28] In this motion for summary judgment, two of the three issues raised can be disposed of first, leaving the remaining and more complex legal issue, that of the fee payment, for last.

A. *Can summary judgment be granted to the Defendant?*

[29] In a motion for summary judgment, the onus is on the moving party – here, the Plaintiff – to establish that there is no genuine issue for trial (*Morin v Canada*, 2013 FC 670 at paras 25-26)

and that the respondent's case "is so doubtful that it does not deserve consideration by the trier of fact" (*Source Enterprise Ltd v Canada (Public Safety and Emergency Preparedness)*, 2012 FC 966 at para 20).

[30] If there is no genuine issue for trial, summary judgment must be granted (rule 215(1) of the *Federal Court Rules*, SOR-98/106 [FC Rules]). Otherwise, the Court has a great deal of flexibility in how it can respond to motion for summary judgment, including conducting a summary trial or disposing of certain issues while sending others through to trial (rule 215(3) of the FC Rules).

[31] The basic principle in a motion for summary judgment is that the parties each put their "best foot forward" in terms of evidence. As a result, the Court is entitled to assume that no new evidence would be presented if the issue were to go to trial (*Rude Native Inc v Tyrone T Resto Lounge*, 2010 FC 1278 at para 16). In *Hryniak v Mauldin*, 2014 SCC 7 at para 49 [*Hryniak*], the Supreme Court stated that there is no genuine issue for trial when:

...the judge is able to reach a fair and just determination on the merits on a motion for summary judgment. This will be the case when the process (1) allows the judge to make the necessary findings of fact, (2) allows the judge to apply the law to the facts, and (3) is a proportionate, more expeditious and less expensive means to achieve a just result.

[32] In this motion, then, while the onus is on the Plaintiff to demonstrate that there is no genuine issue for trial on the question of the fee payment, the Defendants cannot raise a genuine issue for trial on bald statements, a lack of knowledge, or denials alone (*Moroccanoil Israel Ltd v Lipton*, 2013 FC 667). The burden on the Defendants is to put forward serious, credible evidence

demonstrating the existence of a genuine issue for trial (*MacNeil Estate v Canada (Department of Indian and Northern Affairs)*, 2004 FCA 50; *NFL Enterprises LP v 1019491 Ontario Ltd* (1998), 229 NR 231 (FCA)).

[33] At the hearing, the Plaintiff argued that the Court could not grant summary judgment in favour of the Defendants as they had not filed a cross-motion for summary judgment. In other words, if this Court were to deny summary judgment to the Plaintiff, every issue raised here could be raised again before the trial judge as if it had not been already addressed.

[34] In *Manulife Bank of Canada v Conlin*, [1996] 3 SCR 415, however, the Supreme Court held that even without a cross-motion, in appropriate cases summary judgment can be granted in favour of the respondent. While that motion took place in Ontario, the relevant sections of the *Rules of Civil Procedure*, RRO 1990, Reg 639 are similar to the relevant sections in the FC Rules applicable in the case at bar. Further, this fits with the directions of Justice Karakatsanis that “summary judgment rules must be interpreted broadly, favouring proportionality and fair access to the affordable, timely and just adjudication of claims” (*Hryniak* at para 5).

[35] If I am able to make a finding on a question of fact or law at this point in the dispute and there is nothing to be gained from a full trial on the issue, the parties should be precluded from raising that same question later on, regardless of which party it benefits. The issue should be estopped, lest litigation on the point continue endlessly, defeating the teachings of *Hryniak*.

[36] In short, as the primary issue in this motion involves the interpretation of the law regarding fee payments, and does not depend on the evidentiary record, I find that this Court can grant summary judgment in favour of either party, regardless of the filing of a cross-motion.

B. *Was the fee paid?*

[37] It was not contested that the small entity fee was paid initially, despite the fact that PA did not qualify as a small entity. Thus, the only factual question in this motion is whether or not a top-up fee was paid on October 23, 2006. I find that it was not.

[38] From the evidence and the parties' submissions, I conclude that a highly unlikely confluence of several errors occurred, including the fact that CIPO mailed a letter to R&M erroneously stating that payment had been received and that the Register indicated that the patent was and had always been in good standing. CIPO records do not contain any indication that a correct payment – either originally as a large entity fee, or as a subsequent top-up fee – was ever paid or otherwise applied to the file. While the Defendant PA clearly provided instructions to pay the fee, according to accounting records, it was never done.

[39] Apotex went to great lengths in this motion to challenge the notion that any payment had been made during the top-up period. Pfizer, on the other hand, stated at the hearing that it was certainly open to the Court, on the latest evidence discovered and presented to the Court, to find that fees were not paid. Indeed, R&M's accounting records showing that no top-up fee was paid makes it particularly difficult to find otherwise, especially when added to the testimony of Mr. Boudreau, Mr. Eisen, and Ms. Bonnell.

[40] It is for these reasons that I conclude that the top-up fee was not paid.

[41] Therefore, the final and key issue to be decided, upon which this motion for summary judgment hinges, is the question of whether that invalidates the 132 Patent.

C. *Does the failure to submit the proper fee payment invalidate a patent?*

[42] This question is purely a legal one. In short, my answer to the question is that the non-payment does not invalidate the patent. My reasoning is explained below.

[43] The Plaintiff takes the position that Federal Courts jurisprudence, particularly *Dutch Industries FC* and *Dutch Industries FCA* [collectively, the *Dutch Industries* decisions], *Johnson & Johnson Inc v Boston Scientific Ltd*, 2004 FC 1672 [*J&J FC*] and *Johnson & Johnson Inc v Arterial Engineering Canada Inc*, 2006 FCA 195 [*J&J FCA*] [collectively, the *J&J* decisions] as well as *Wicks v Canada (Commissioner of Patents)*, 2007 FC 222 [*Wicks*], all make it clear that the patent cannot stand.

[44] The Defendants, by contrast, rely on a different line of jurisprudence, culminating in *Weatherford Canada Ltd v Corlac Inc*, 2010 FC 602 [*Weatherford FC*] and *Corlac Inc v Weatherford Canada Inc*, 2011 FCA 228 [*Weatherford FCA*] [collectively, the *Weatherford* decisions], to establish that payment errors made during the application process can have no effect on an existing patent.

[45] As such, it is essential to review the case law cited by both parties, as well as the ways that the Act has changed as this jurisprudence developed.

(1) The Law on Patent Fees

(a) *The Dutch Industries Decisions*

[46] *Dutch Industries FC* arose out of a parallel proceeding in which Dutch Industries Ltd. [Dutch] was arguing that a patent owned by Barton No-Till Disk Inc. [Barton] was invalid because Barton had not paid the full large entity fee during the application process. Dutch then sought judicial review of CIPO's decision to accept the balance of the fee from Barton after the fact, along with a top-up for a separate, ongoing patent application. At the time, CIPO's practice was to accept top-up fees, but Justice Dawson found that the Commissioner lacked the authority under either the Act or the Patent Rules to accept late top-up payments (*Dutch Industries FC* at para 53).

[47] On appeal, Justice Sharlow accepted that the Commissioner had no authority to accept late top-up fees, but overturned Justice Dawson's finding that the patent was not valid, concluding that, at the time of the application, Barton actually had been a small entity and that entity size was not re-determined after the patent issued (*Dutch Industries FCA* at para 47). However, since Barton was not a small entity when it filed its newer patent application, that application had been abandoned (para 48).

(b) *The J&J Decisions*

[48] *J&J FC* was a motion for summary judgment in the context of a patent infringement dispute. Three patents were at issue: two filed in 1986 and one filed in 1989. The plaintiffs, it was determined, erroneously paid the small entity fee for all three preceding applications, and only made corrective top-up payments in 1989. The Act and the Patent Rules, however, laid out a specific timeline in which top-up payments could be made, and only the 1989 application had been topped-up within the proper timeframe.

[49] Justice Martineau relied on the *Dutch Industries* decisions to conclude that the two applications filed in 1986 had been abandoned per the statutory scheme, and as a result, the patents issued as a result were invalid. As for the 1989 application, although the top-up payment *had* been made within the correct timeframe, the plaintiffs had failed to pay an additional “completion fee”, and so this patent too was invalid (*J&J FC* at para 105).

[50] By the time the Federal Court of Appeal heard *J&J FCA*, Parliament had addressed the *Dutch Industries* decisions through the implementation of section 78.6 of the Act, the provision that created a one-year window to top up any incorrect payments. Since the appellants had moved quickly to take advantage of that window, the Court thus overturned Justice Martineau’s decision to invalidate the three patents. The Court did not, however, explicitly discuss the question of how section 78.6 interacted with their previous decision in *Dutch Industries*, other than to note that “[e]ven if the summary judgments [ordered by Justice Martineau] were granted on the basis of a legal analysis that was correct when it was done, the judgments cannot be permitted to stand in the face of subsection 78.6(1)” (*J&J FCA* at para 9).

(c) *The Wicks Decision*

[51] In *Wicks*, the applicant, an inventor, sought judicial review of the Commissioner's decision to declare his two patent applications irrevocably abandoned. While the issue in *Wicks* related specifically to the interpretation of section 78.6 and the timing of the retroactive window, Justice Layden-Stevenson discussed *Dutch Industries FCA* and its effects:

[34] The wording of subsection 78.6(1) is not ambiguous. It, as well as the Hansard excerpts referred to by the applicant, demonstrate that Parliament intended to provide relief to patent holders and applicants who had unknowingly, but in good faith, made deficient payments on maintenance fees in error. Those individuals were caught by the "harsh effects" of the Dutch Industries decision. The transitional provision was enacted to allow those individuals a window (one year) to "top-up" their payments in order to bring their patents and applications into good standing.

(d) *The Weatherford Decisions*

[52] The patent infringement dispute in *Weatherford FC* was complex, involving 27 issues at trial. One of those issues, which is relevant to these proceedings, was the interpretation of paragraph 73(1)(a) of the Act, which reads:

73. (1) An application for a patent in Canada shall be deemed to be abandoned if the applicant does not

(a) reply in good faith to any requisition made by an examiner in connection with an examination, within six months after the requisition is made or within any shorter period established by the Commissioner;

[53] Reviewing that provision, Justice Phelan found that "[s]ection 73 read as a whole is not directed primarily at the validity of a patent once issued. The provision is directed at controlling the prosecution of the patent process. The term 'abandonment' itself gives an indication that the provision is not directed to post-issuance validity." (*Weatherford FC* at paras 345).

[54] Before the Federal Court of Appeal, the appellants argued that paragraph 73(1)(a) created “a statutory obligation to act in good faith in responding to all requisitions made by the Examiner and the Commissioner of Patents during prosecution of the patent” and that non-compliance with section 73 could invalidate an existing patent (*Weatherford FCA* at para 131). The Federal Court of Appeal, however, rejected this position, emphasizing the difference between a patent application and an issued patent:

[144] The most fundamental flaw in the appellants’ reasoning is that it fails to differentiate an “application for a patent” from a “patent.” The distinction between the two is consistently maintained throughout the Act, see for example: paragraph 12(1)(f), subsections 27(1), 29(2), 31(1), 49(1) and (2), 56(3), 78.1 and 78.2(2). Similarly, the Rules distinguish between an “application for a patent” and a “patent”, see: rules 3(8) and (9), 3.01(1)(e), 3.01(2)(a) and (b), 4(7), 8(1), 8(2)(b) and (c), 38, 42, 100(3), 108, 133, 155(3) and 159. The Act also treats the issuance of a patent as a decisive event which distinguishes an “application for a patent” from a “patent”, see: section 36 and subsection 38.2(1). The [Patent Rules] do likewise, see: rules 160(4), 164 and 166.

...

[150] To be clear, the concept of abandonment in paragraph 73(1)(a) operates during the prosecution of the application for a patent. Its operation is extinguished once the patent issues... To conclude otherwise would result in absurdity. An issued patent would be subject to retroactive scrutiny by the courts in relation to the submissions made by an applicant to the Patent Office during prosecution (generally many years prior), judged against unknown criteria. It is for the Commissioner to determine whether an applicant’s response to a requisition from an Examiner is made in good faith, not for the courts. The courts do not issue patents.

[55] In their submissions on paragraph 73(1)(a) of the Act, the appellants in *Weatherford FCA* relied on both *Dutch Industries FCA* and *J&J FCA*. Justice Layden-Stevenson addressed both:

[151] The cases relied upon by the appellants do not assist them... In *Dutch Industries Ltd. v. Canada (Commissioner of*

Patents), 2003 FCA 121, [2003] 4 F.C. 67, leave to appeal refused, [2003] S.C.C.A. No. 204. Canadian Patent Application No. 2,146,904 was deemed abandoned: para. 3. No patent regarding that application had issued. In *Johnson & Johnson Inc. v. Boston Scientific Ltd.*, 2006 FCA 195, [2007] 1 F.C.R. 465, leave to appeal refused, [2006] S.C.C.A. No. 324, this Court held, pursuant to the addition of subsection 78.6(1) to the Act, top-up payments had a retroactive effect with the result that the patents at issue should not have been deemed to be abandoned...

[56] In other words, according to the Court in *Weatherford FCA*, neither *Dutch Industries FCA*, which involved an abandoned patent application but not an abandoned patent, nor *J&J FCA*, where the patentee took advantage of the statutory top-up period to correct underpayments, were of any assistance to the appellant.

(e) *Changes to the Act: From Forfeiture to Deemed Abandonment*

[57] In 1996, amendments were made to subsection 73(1) of the Act. Previously, if fees payable in a notice of allowance were not paid within six months, the application for the patent was “thereupon forfeited.” After 1996, the result of not paying those fees is that the “application for a patent...shall be deemed to be abandoned”.

[58] The *Dutch Industries*, *J&J*, and *Wicks* decisions all took place in the context of the pre-1996 version of subsection 73(1), while the *Weatherford* decisions took place in the context of the newer Act (although the Court in *Weatherford FCA* did consider a long line of case law from the pre-1996 Act).

[59] The version applicable to the 132 Patent is the pre-1996 version of the Act, and therefore, the key legal term for this case is the previous “forfeited”, rather than the current “deemed abandoned”.

(2) The Parties’ Positions on the Fee Payment

[60] The Plaintiff argues that the jurisprudence, including the *Dutch Industries, J&J*, and *Wicks* decisions, makes it clear that a failure to pay the full fee required for the patent to be properly issued results in the loss of all rights under the patent application and any resulting patent. Patents are creations of statute and the statute requires that certain conditions, including the payment of fees, be met. The fee, according to the Plaintiff is part of the ‘hard coinage’ that the applicant must provide as part of the patent bargain, per *Apotex Inc v Wellcome Foundation Ltd*, 2002 SCC 77 at para 37 [*Wellcome*] (“[t]he patent monopoly should be purchased with the hard coinage of new, ingenious, useful and unobvious disclosures”). Without full payment, the application was forfeited and could not mature into a patent. In other words, “hard coinage” must be paid not only in an allegorical sense, in terms of what inventors must provide for their side of the bargain, it must also be paid in fees, the inventors’ consideration in exchange for the monopoly they receive.

[61] The Plaintiff refers to the opportunities that the Act provides to seek relief from forfeiture if the proper payment has not been made in time – first by allowing patents to be reinstated within six months of forfeiture (subsection 73(2) of the pre-1996 Act), and second by allowing top-up payments to be made within the grace period in section 78.6 of the current Act.

[62] The Defendants take the converse view that neither the *Dutch Industries* nor *J&J* decisions apply to the fee question currently before the Court. They also submit that there is no decision that ultimately invalidates an existing patent on the basis of an erroneous fee payment.

[63] Turning to the other key decision discussed during the hearing, the Plaintiff argues that *Weatherford FCA* is irrelevant to the case at hand. First, *Weatherford FCA* dealt with paragraph 73(1)(a) of the Act and thus was focused on whether there had been a failure to respond in good faith to a request by an examiner, rather than the non-payment of fees. Second, *Weatherford FCA* was focused on “deemed abandonment”, a term that did not appear in the version of the Act in force at the time the application for the 132 Patent was made. Third, *Weatherford FCA* did not explicitly overturn any of the conclusions in the *Dutch Industries*, *J&J* and *Wicks* decisions.

[64] The Defendants, on the other hand, submit that *Weatherford FCA* is determinative, arguing that even if the *Dutch Industries* and *J&J* decisions speak to the question at hand, they were superseded by *Weatherford FCA*, which held that non-compliance with the Act during the prosecution of a patent application does not invalidate a subsequently issued patent. Even though *Weatherford FCA* focused on deemed abandonment under paragraph 73(1)(a) rather than the underpayment of a final fee, the Defendant argues that there is no meaningful difference between the two and thus *Weatherford FCA* should be followed.

(3) Is the 132 Patent Invalid?

[65] I agree with the Defendant’s position on this third issue for the following reasons.

[66] *Weatherford FCA* has clarified the law to the extent that there was confusion in the wake of the *Dutch*, *J&J*, and *Wicks* decisions. Furthermore, I do not agree with the Plaintiff that there is any meaningful distinction between the concepts of “forfeiture” in the pre-1996 Act’s provisions, which govern this matter, and “deemed abandonment” in the current Act, which were the subject of the Court’s commentary in *Weatherford FCA*. While *Weatherford FCA* interpreted a different part of section 73, regarding a failure to respond to information requests from the Commissioner, as opposed to fee payments, both were related to pre-patent procedures. To the extent that there is any contradiction between the Federal Court of Appeal’s reasons in *Dutch Industries FCA* and *Weatherford FCA*, this Court should follow the latter, more recent decision.

[67] It is helpful first to review the statutory provisions in question. The provision that applied to the 132 patent, namely subsection 73(1) of the pre-1996 Act, stated that:

73. (1) Where the prescribed fees stated to be payable in a notice of allowance of patent are not paid within six months from the date of the notice, the application for patent is thereupon forfeited.

[68] After a series of amendments came into force in 1996, the subsection was expanded and the language of ‘forfeiture’ was replaced by ‘deemed abandonment’. Since that time, subsection 73(1) of the Act has read as follows:

73. (1) An application for a patent in Canada shall be deemed to be abandoned if the applicant does not

(a) reply in good faith to any requisition made by an examiner in connection with an examination, within six months after the requisition is made or within any shorter period established by the Commissioner;

(b) comply with a notice given pursuant to subsection 27(6);

(c) pay the fees payable under section 27.1, within the time provided by the regulations;

(d) make a request for examination or pay the prescribed fee under subsection 35(1) within the time provided by the regulations;

(e) comply with a notice given under subsection 35(2); or

(f) pay the prescribed fees stated to be payable in a notice of allowance of patent within six months after the date of the notice.

[69] Rule 153(1) of the Patent Rules, which was introduced alongside the 1996 amendments, states that:

153. (1) Where, before October 1, 1996, an application was forfeited pursuant to subsection 73(1) of the Act as it read immediately before that date and was not restored, the application is deemed to have been abandoned pursuant to paragraph 73(1)(f) of the Act on the same date as the forfeiture and may be reinstated in accordance with subsection 73(3) of the Act.

[70] This rule makes it clear that “deemed abandonment” and “forfeiture” were intended to convey the same meaning. Even if “forfeiture” and “deemed abandonment” have different meanings in spite of Rule 153(1), the Plaintiff has advanced no convincing line of argument that forfeiture should apply beyond the prosecution phase: the law has interpreted both of those words consistently both under the “forfeiture” language of the pre-1996 Act, and that of “abandonment” under the current Act.

[71] As noted by the Defendants, there is a long line of cases that has pointed out the distinction between the application and post-grant status of patents. This line starts with *Canada*

General Electric Co v Fada Radio Ltd, [1927] SCR 520, 3 DLR 922 at 925 [*Fada Radio*],

decided almost ninety years ago, where the Supreme Court of Canada found that:

...any insufficiency in the material on which the Commissioner acts, the entire absence of an affidavit or any defect in the form or substance of that which is put forward as an affidavit in support of this claim, cannot, in the absence of fraud, which in this instance has not been suggested, avail an alleged infringer as a ground of attack on a new patent issued under s. 24. It is not a “fact or default, which, by this Act, or by law, renders the patent void”.

[72] Thirty-five years later, in *Lovell Manufacturing Co v Beatty Brothers Ltd* (1962), 41 CPR

18 at 41 [*Lovell*], the Exchequer Court – predecessor to this Court – concluded that a

misrepresentation made during the application process could not invalidate an issued patent:

...even if the facts alleged... were true they would have no effect on the validity of the patent. They could have no more effect on its validity than a misrepresentation in the course of a parliamentary debate could have on the validity or meaning of a Parliamentary enactment.

[73] Courts have therefore used the same principles to interpret the pre-1996 Act as did the Federal Court of Appeal in *Weatherford FCA* for the current Act. The Federal Court of Appeal even considered and relied on these cases in coming to its decision in *Weatherford FCA*.

Certainly, Justice Layden-Stevenson contemplated the legislative changes which amended the pre-1996 Act through Bill S-17, *An Act to amend the Copyright Act, the Industrial Design Act, the Integrated Circuit Topography Act, the Patent Act, the Trade-marks Act and other Acts in consequence thereof*, 3rd Sess, 34th Parl, 1993, which came into force on October 1, 1996. She noted that the “Hansard record of Parliamentary debates and associated committee reports ... are unremarkable with respect to section 73 of the Act. The Regulatory Impact Analysis Statement does not refer to it” (*Weatherford FCA* at para 148). The implication of her analysis is that if the

legislators who drafted Bill S-17 had wanted to fundamentally change the distinction between application and post-issuance phases of the patent process, this would have been noted somewhere. This conclusion is equally applicable to the matter of application fees, which also falls under section 73 of the current Act.

[74] Justice Layden-Stevenson went on, in *Weatherford FCA*, to find that a minor wording change in Bill S-17, from “*bona fide*” in the pre-1996 Act to “good faith” in the current one, was simply to modernize the language:

[143] The appellants put much stock in the fact that *Bourgault* was decided under the predecessor legislation which is no longer in force. Specifically, they claim there was no obligation of good faith contained in the former legislation. It is true that the former Act did not contain a requirement of good faith. However, the former *Patent Rules*, specifically rule 45(3) required an applicant to make a *bona fide* attempt to advance the application to allowance: C.R.C. 1978, c. 1250. It cannot seriously be suggested that the phrases *bona fide* and good faith are anything other than interchangeable. Further, there is an interrelationship between the obligation in paragraph 73(1)(a) to reply to any requisition made by an examiner within six months and the obligation to advance the application under the former rule 45(3). Although paragraph 73(1)(a) is expressed differently and in more modern language, the appellants’ interpretation of it is untenable.

[75] In terms of *Weatherford FCA*’s relevance to this dispute, I do not find that paragraph 73(1)(a) of the Act differs so significantly from paragraph 73(1)(f) – or any provision in section 73 – that Justice Layden-Stevenson’s analysis should not carry over. If one paragraph of a given section cannot invalidate an issued patent, the others cannot do so either, without some express direction otherwise. This is consistent with a plain reading of the statute, mindful of its context (see *Rizzo & Rizzo Shoes Ltd (Re)*, [1998] 1 SCR 27, paras 20-22). Whatever defects existed in the 611003 Application, they were unassailable once the 132 Patent was issued, because the fee

shortfall relates only to the application, not to the issued patent. Section 73 of the Act does not serve to invalidate issued patents.

[76] I also find that the distinctions advanced by the Plaintiff that the prior language of “forfeiture” and the current language of “deemed abandonment” are essentially the same as the argument unsuccessfully advanced in *Weatherford FCA* about the difference between “*bona fide*” and “good faith”, and are thus rejected.

[77] On a more fundamental level, however, the key reason that the Plaintiff cannot succeed in this motion for summary judgment is that there is a dividing line that exists between a patent application and a granted patent.

[78] Other cases have also used this dividing line, initially recognized in *Fada Radio*, later adopted in *Lovell*, and applied most recently in *Weatherford FCA*. In *Aventis Pharma Inc v Apotex Inc*, 2005 FC 1283, for instance, Justice Mactavish held that that procedure during the prosecution phase could not be relied upon to invalidate a patent:

[353] It is clear that subsection 61(2) only applies to an application for a patent that was filed *after* the issuance of the other patent relied upon: see *Re Fry* (1939), 1 C.P.R. 135 (Exch. Ct.). In the present case, the application for the '206 patent was filed *before* the issuance of the '087 patent. Moreover, subsection 61(2) merely provides a procedure to be followed by the Commissioner during the prosecution phase. It cannot be relied upon as a basis for invalidating an issued patent: *Beecham Canada Ltd. et al. v. Procter & Gamble Co.* [1982] No. 10, 61 C.P.R. (2d) 1 at p. 22 (F.C.A.).

[79] Elsewhere, in *Procter & Gamble Co v Calgon Interamerican Corp* (1982), 61 CPR (2d) 1 at 22 (FCA), Justice Urie upheld the Trial Judge's determination that a subsection dealing with an application for a patent had nothing to do with an issued patent. He wrote:

The Appellants next argued that a patent issued contrary to the prohibition contained in subsection 63(2) of the Patent Act cannot be a valid patent. That subsection reads as follows:

63.(2) Notwithstanding the provisions of section 43 an application for a patent for an invention for which a patent has already issued under this Act shall be rejected unless the applicant, within a time to be fixed by the Commissioner, commences an action to set aside the prior patent, so far as it covers the invention in question, but if such action is so commenced and diligently prosecuted, the application shall not be deemed to have been abandoned unless the applicant fails to proceed upon it within a reasonable time after the action has been finally disposed of.

The learned Trial Judge found that the subsection "has nothing to do with an issued patent." I agree. It appears merely to provide a procedure to be followed by the Commissioner in the event that he proposes to reject a patent application in respect of an invention for which a patent has already issued. It is not a provision to be applied after the issuance of the second patent to provide a basis for alleging the invalidity thereof.

[80] As *Weatherford FCA* notes, where Parliament intends that valid patents can be invalidated, it says as much. Subsection 53(1) of the Act, for example, states that:

[a] patent is void if any material allegation in the petition of the application in respect of the patent is untrue, or if the specification and drawings contain more or less than is necessary for obtaining the end for which they purport to be made, and the omission or addition is wilfully made for the purpose of misleading.

[81] Neither paragraph 73(1)(f) of the current Act nor subsection 73(1) of the pre-1996 Act, however, discuss issued patents. Instead, they only address patent applications. To read in issued patents to subsection 73(1) would be to ignore the clear dichotomy between applications and issued patents established through the Act.

[82] The bottom line is that the various grounds that are commonly used to void otherwise valid patents all go to the heart of the patent bargain between the inventor and the state. As recently articulated by the Supreme Court in *Teva Canada Ltd v Pfizer Canada Inc*, 2012 SCC 60 [*Teva*] at para 32, the patent bargain is the fundamental goal of the patent system: to encourage the full disclosure of useful innovations to the public through the grant of limited monopolies.

[83] Patents are thus invalidated by the Court when the inventor has not created something new and useful or taught the world how to make it. Patents are not, on the other hand, invalidated for administrative or procedural reasons, a characterization properly made of application or completion fees, which are paid by the inventor and collected by the government to offset CIPO's administrative (or operating) costs and to clear the patent system of "deadwood" (*Karolinska Institutet Innovations AB v Canada (Attorney General)*, 2013 FC 715 at para 32 [*Karolinska*]). In *Weatherford FCA*, Justice Layden-Stevenson provided a concrete example of types of invalidity grounds with the following paragraph from her judgment:

[142] The grounds for attacking the validity of a patent are delineated in the Act. Specifically, they relate to: utility, section 2; novelty (anticipation), section 28.2; obviousness (inventiveness), section 28.3; and sufficiency of disclosure, subsection 27(3). In addition to validity grounds, a patent can be found to be void if the conditions of subsection 53(1) are met.

[84] I note the Plaintiff's reliance on *Teva* and *Merck v Apotex*, 2006 FC 524, aff'd 2006 FCA 323 [*Merck*] for the proposition that this is an incomplete summation of legitimate grounds of invalidity (since both of these cases acknowledged grounds not cited in the Act, such as double patenting).

[85] There are two observations in response. First, I do not believe that para 142 of *Weatherford FCA*, reproduced above, purported to provide a comprehensive list of all substantive grounds of invalidity in existence. Furthermore, the mere fact that certain grounds have been developed through the jurisprudence does not address the key ratio of *Weatherford FCA* – namely that there is fundamental difference between an application for a patent and a patent.

[86] The Plaintiff points out that *Teva* invalidated a patent for insufficient disclosure on the basis of section 27(3) of the Act, a section which falls under the heading “Application for Patents”. However, insufficient disclosure of an invention is one of those grounds that strikes at the very heart of the patent bargain, and thus a fundamentally different ground than fee non-compliance.

[87] Indeed, the non-compliance of a patent holder will either be rooted in administrative or substantive breaches of the statute. It is consequently the type of non-compliance that will ultimately determine whether the breach invalidates the patent: does the breach go to the substantive heart of the patent bargain, or rather administrative dealings with the Patent Office, such as fee for service payments? Breaches which go to the heart of the patent, namely those

which require the inventor to pay the figurative hard coinage, can be fatal to issued patents. Administrative breaches, on the other hand, which can invalidate a patent application, will not invalidate issued patents. As in other areas, failure to comply with the law carries different consequences, and, save for strict liability offences, context always matters. Therefore, one must ask whether the breach invalidates the patent.

[88] “Administrative breaches” are generally related to the operations of CIPO and the patent application procedures, rather than the patent bargain itself. When Justice Binnie writes in *Wellcome* at para 37 that “[t]he patent monopoly should be purchased with the hard coinage of new, ingenious, useful and unobvious disclosures”, his statement relates only to matters at the heart of the patent, not administrative fees. After all, those fees “are intended to defray part or all of the costs of the Patent Office” (*Dutch Industries FCA* at para 30). As Justice Hughes wrote in *Karolinska*, a case involving maintenance (as opposed to final) fees:

[32] The purpose of such fees, as has been stated by the Federal Court of Appeal in *Actelion Pharmaceuticals Ltd v Canada*, 2008 FCA 90 at paragraph 13, is not only to provide the Patent Office with a means of recovering administration costs, but also to rid the proliferation of deadwood patents. There is nothing penal in the fee system.

[89] One final argument on the issue of fee payments raised by the Plaintiff is that where a Court explicitly overturns a previous line of jurisprudence, it will say so. For instance, when the Supreme Court rejected a conclusion reached in the *Merck* appeal, it did so explicitly (*Teva* at para 63). By analogy, the Plaintiff contends that if *Weatherford FCA* intended to overturn the *Dutch Industries* cases, the Court would have stated so outright.

[90] There are three noteworthy responses to the Plaintiff's contention that *Weatherford FCA* failed to explicitly overturn the *Dutch Industries* and *J&J* decisions. First, *Weatherford FCA* examined a list of cases which it clearly distinguishes in arriving at its conclusion on the division between patent applications and patents. This list included *Dutch Industries* and *J&J*:

[151] The cases relied upon by the appellants do not assist them... In *Dutch Industries Ltd. v. Canada (Commissioner of Patents)*, 2003 FCA 121, [2003] 4 F.C. 67, leave to appeal refused, [2003] S.C.C.A. No. 204. Canadian Patent Application No. 2,146,904 was deemed abandoned: para. 3. No patent regarding that application had issued. In *Johnson & Johnson Inc. v. Boston Scientific Ltd.*, 2006 FCA 195, [2007] 1 F.C.R. 465, leave to appeal refused, [2006] S.C.C.A. No. 324, this Court held, pursuant to the addition of subsection 78.6(1) to the Act, top-up payments had a retroactive effect with the result that the patents at issue should not have been deemed to be abandoned.

[91] Second, with respect to *Dutch Industries FCA*, as quoted above, Justice Sharlow wrote that any error in the determination of small entity status “could lead to the loss of all rights under the patent application and any resulting patent, unless the error is discovered and corrected within the statutory time limits for late fee payments” (at para 4, emphasis added). This statement is conditional, and does not mean that any procedural violation (of small entity status, in that case) must lead to patent invalidity.

[92] Third, for its part, *J&J FCA*, like *Dutch Industries FCA*, did not ultimately invalidate any patent. Instead, Parliament passed a provision providing a grace period to remedy the non-compliance which occurred. On the point of invalidation, the Court, as in *Dutch Industries FCA*, provided only a conditional statement in support of the invalidation analysis, when Justice Sharlow wrote “[e]ven if the summary judgments were granted on the basis of a legal analysis that was correct...” (*J&J FCA* at para 9, emphasis added). In my view, neither the *Dutch*

Industries nor *J&J* decisions breached the divide Parliament created between the pre- and post-patent phases, a system established well before any of these patent disputes ever arose.

Furthermore, while *Weatherford FCA* does not explicitly overrule the *Dutch Industries* and *J&J* cases, it does limit their applicability.

IV. Conclusion

[93] I agree with the Defendants that the alleged erroneous final fee payment here cannot have the legal effect of invalidating an issued patent.

[94] *Weatherford FCA* has spoken clearly on the role of subsection 73(1) in the patent regime. The principles established for paragraph 73(1)(a) in *Weatherford FCA* apply, broadly, to all the provisions within the current Act's subsection 73(1) and in interpreting the pre-1996 Act as well. Not only does rule 153(1) of the Patent Rules imply parity between 'forfeiture' and 'deemed abandonment', but much of the jurisprudence upon which *Weatherford FCA* rests developed under the pre-1996 Act. As that case holds, there is no compelling reason to assume that Parliament intended to "revolutionize the law as it then stood" (para 146). Analogous to the outcome in that case, I find no evidence to suggest that Parliament intended to extend the reach of paragraph 73(1)(f) (regarding the non-payment of prescribed fees) over issued patents any more than it did with respect to paragraph 73(1)(a). There is no compelling policy reason why a failure to pay the full final fee on a patent application should invalidate a subsequently issued valid patent.

[95] I find that there is therefore no legal basis to invalidate the 132 Patent due to the non-payment of the administrative fee. This motion for summary judgment is accordingly granted in favour of the Defendants.

[96] Finally, as mentioned above, this hearing also includes an appeal from an Order of the case management Prothonotary dated December 8, 2015. At the hearing, the parties agreed that if I was to find that no top-up fee was paid, it would not be necessary to rule on the appeal. As a finding of non-payment has been made, I will make no ruling on the Order refusing to disclose certain documentation, given that those documents relate to the factual finding that was previously at issue, and upon which I have ruled in favour of the Plaintiff (Issue B above). A copy of this order shall accordingly be placed with the motion to appeal the case management Prothonotary's Order relating to the disclosure of documents.

ORDER

THIS COURT ORDERS that

- 1. The motion for summary judgment is granted in favour of the Defendants. The 132 Patent remains valid.
- 2. The motion to appeal the Prothonotary's order of December 8th, 2015 need not be decided, per the agreement of the parties, due to my finding of fact that no top up fee was paid by the Defendants.
- 3. Costs are awarded to the Defendants. If the parties are unable to agree upon costs, they may make written submissions to the Court, not exceeding five pages, within 10 business days of the date of this decision.

"Alan S. Diner"
 Judge

I HEREBY CERTIFY that the above document is a true copy of the original issued out of / filed in the Court on the _____ day of _____ A.D. 20 _____

Dated this _____ day of _____ 20 _____

FEB 04 2016

FEB 04 2016

[Signature]
 PAUL CIZZOLINO
 REGISTRY OFFICER
 AGEN DU GREFFE

FEDERAL COURT
SOLICITORS OF RECORD

DOCKETS: T-393-14 AND T-1064-13

DOCKET: T-393-14

STYLE OF CAUSE: APOTEX INC v PFIZER INC, PHARMACIA
AKTIEBOLAG AND PFIZER CANADA INC

AND DOCKET: T-1064-13

STYLE OF CAUSE: APOTEX INC v PFIZER CANADA INC AND
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